



STATE OF WASHINGTON

May 11, 2005

TO: The Honorable Christine Gregoire
Governor

FROM: Robin Arnold-Williams, Secretary *Robin*
Department of Social and Health Services

Karen Lee, Commissioner *Karen*
Employment Security Department

Earl Hale, Executive Director *EH*
State Board for Community and Technical Colleges

Victor Moore, Director *V.M.*
Office of Financial Management

SUBJECT: RE-EXAMINATION OF WELFARE REFORM

WorkFirst, Washington's version of welfare reform, is not financially sustainable as it is currently designed. Either more money will be needed or major cutbacks will be required. The federal government will not solve this problem for the state, and we don't think it prudent to anticipate added state revenues.

Financial Outlook

The WorkFirst budget (the "welfare box") for the next biennium assumes approximately \$1.6 billion in revenues will be available to cover approximately \$1.7 billion in estimated expenditures – a deficit of approximately \$100 million. There are uncertainties with these estimates, but none great enough to change the overall picture.

Congress is considering reauthorization of the Temporary Assistance for Needy Families law (TANF). While it is unlikely that federal revenues from the TANF block grant will change, the state might receive up to \$20 million per year in added child care funding based on the bills now before Congress. In addition, Congress may prescribe the extent and type of activities in which TANF recipients must be engaged. If enacted, these tougher "work participation" requirements could drive new costs.

Also, about two-thirds of WorkFirst expenditures - child care subsidies and cash welfare grants - are based on forecasts and subject to the same error as any other forecast.

In summary, we are entering the next biennium with a deficit of about \$100 million. The exact amount of the deficit may change, but there is no reasonable scenario under which this anticipated deficit would cure itself.

Budget Reduction Options

Options for program reductions have been identified that, if implemented, would erase the anticipated deficit. However, none of these options provides a good choice for our citizens.

Attachment A displays a menu of possible budget reductions that includes the ones we discussed with you during the budget building process, as well as others. (The \$20 million reduction in job search services you directed earlier is included, so a full list of reductions from current service levels is visible.) Taken together these reductions total \$140 million for the 2005-2007 Biennium. The full list of potential reductions, with the exception of the job search reduction, was developed through a POG-type process last fall and put forward by the WorkFirst SubCabinet (directors of DSHS, Employment Security, CTED, Community College Board, and OFM) as reductions that could be considered to deal with what was then known to be a deficit of at least \$60 million for the 2005-2007 Biennium.

The reductions fall into two major groups. First, WorkFirst benefits could be more narrowly targeted to families on or recently off TANF. This policy leads to the restrictions on eligibility for child care subsidies and job training. These approaches save money, but at the expense of working parents struggling to make ends meet.

Second, penalties could be strengthened for refusal to participate in activities designed to improve opportunities for self-sufficiency – specifically full family sanctions and a hard five-year time limit. These approaches are consistent with a philosophy of personal responsibility, but risk penalizing children for the actions of their parents.

Rather than make these types of program reductions now, we believe the first step should be a review of the goals and principles of our system, and recommendations on how we should organize to meet those goals. There is no guarantee that such a review will yield better choices but we believe it is clearly worth the time and effort.

Proposal for Re-examining Welfare Reform

There has not been a fundamental re-examination of Washington's welfare system since WorkFirst was enacted in 1997. With your new team in place, the time is right for a thorough and expeditious review that asks fundamental questions about what the core goals of the welfare system should be, and how we can best organize to meet those goals. We propose using a POG-type approach that leads us from underlying program goals through proven strategies to specific program components and activities that comprise the WorkFirst budget.

We will report to you this summer on our specific recommendations for a financially sustainable welfare system.

Step 1

We will consult with legislators (including at least Representative Kagi and Senator Hargrove) on what they see as the goal(s) for our state's welfare system, and return to you with our thoughts on the goals and principles that should shape the charge that you give to the workgroup assigned to re-examine WorkFirst.

Target Completion - June 15

Step 2

Once the workgroup has in hand your charge to them, it will map the strategies that should be employed to most effectively meet the goals you set in your charge to the group. The strategies the group proposes will lead to specific recommendations on policies and programs, and how, within available resources, we should organize ourselves to carry out these policies. The group will be comprised of seasoned professionals from in and outside of state government and should be able to work quickly. (Attachment B lists our recommendations for workgroup members.)

The workgroup will be able to begin its work early in June with a review of the existing system. The current system was mapped last October, recent and rigorous evaluation data is available on the effectiveness of several program components, the budget is known in advance, and the sooner decisions can be reached the less will need to be cut.

Target Completion - July 8

Step 3

The proposals from the workgroup will be reviewed with stakeholders, their concerns considered, and final recommendations provided to you. We will also consult with legislators, as their beliefs prove useful.

Target Completion - July 22

We look forward to undertaking this review.

Attachments (2)

cc: Ken Miller
Regina Jones

WorkFirst 2005-2007 Expenditure Estimates and List of Reduction Options

Spending Plan Item	(Dollars in Thousands)	2005-2007 Current Expenditure Estimate	2005-2007 Expenditure Estimate with All Reduction Options	Difference: 2005-2007 Expenditure Reductions
1) Child Care Subsidies <i>The Working Connections Child Care (WCCC) program provides child care subsidies for families, whose incomes are at or below 200 percent of the federal poverty level (monthly income under \$2,438 for a family of three), while the parents are working, looking for work, or enrolled in an approved training program. Reduction assumes eligibility reduced to 175 percent of FPL.</i>		501,700	475,700	(26,000)
2) Child Care Contracts <i>This includes Child Care Professional Development and Facility Funding, Child Care Capacity Expansion, Child Care referral networks, seasonal childcare contracts, child care food program. Reduction holds childcare contracts at SFY '05 level.</i>		48,538	46,538	(2,000)
3) TANF Grants <i>Cash assistance benefits for low income working families, pregnant women with no other children, and certain children under 18. Adult TANF clients are also enrolled in the WorkFirst program, which provides services to help individuals prepare and look for work. Reduction assumes full family sanction (\$28m) and hard 60-month time limit (\$27m).</i>		568,400	513,400	(55,000)
4) Additional Benefits (grants for specifically identified needs) <i>One-time cash payment to meet emergent housing or utility needs. Reduction assumes emergency housing no longer available.</i>		12,000	0	(12,000)
5) DSHS Local Contracts <i>Regional contracts for services, I.e. victims of domestic violence, english as a second language, staff training.</i>		15,609	15,609	0
6) DSHS and ESD Support Services, Client Services and Support <i>Support services are goods and services purchased to help participants work, look for work, or prepare for work. They are available throughout a person's stay on TANF and for a year after a person goes off cash aid. Common examples of support services include car repairs, clothing, transportation costs, and personal hygiene items.</i>		21,367	21,367	0
7) DSHS Diversion Assistance <i>A once in a 12-month payment, up to \$1,500, to overcome a temporary emergency and keep otherwise eligible families from becoming dependent upon TANF. Reduction assumes diversion assistance would be tightened.</i>		18,000	14,000	(4,000)
8) DSHS WorkFirst Staff <i>WorkFirst staff comprise approximately 30% of CSO staff. A sampling method is used to calculate the exact amount of CSO staff time charged to WorkFirst.</i>		174,000	174,000	0
9) DSHS TANF and CCDF Admin Overhead <i>The WorkFirst program's share of allocated agency wide overhead or indirect charges which include revolving fund payments to service agencies for the costs of self insurance premiums, Attorney General services, etc.</i>		30,000	30,000	0
10) DSHS Other (Children's Administration) <i>TANF expenditures are made in Children's budget to reduce GF-S requirements.</i>		76,056	76,056	0
11) Employment Security Department - Job Placement Services <i>Staff at the Employment Security Department are responsible for conducting and monitoring the intensive 30-hour job search workshop and 12-week job search for WorkFirst participants. Reduction of \$10m/year taken.</i>		56,115	36,115	(20,000)
12) Community College Training Contract <i>WorkFirst participants and other working parents with incomes under 175 percent of the Federal Poverty Level (monthly income under \$2,134 for a family of three) may be eligible for up to 22 weeks of training to prepare them for jobs. The training programs are designed to meet the needs of employers with specific hiring needs. In addition to the customized job training, funding here is for tuition support, Work-Study, Workplace Basic Skills, and Parent Education. Reduction assumes this training will be restricted to TANF eligibles.</i>		47,783	27,783	(20,000)
13) CTED Community Jobs and Other Small Projects <i>Through contracts with nonprofit agencies, participants work in temporary, paid positions at government agencies, nonprofit organizations, and educational institutions, while receiving support and mentoring. Participants remain in the program for up to 9 months. Reduction assumes business outreach reduced.</i>		29,812	29,212	(600)
14) OFM WorkFirst Contract <i>WorkFirst coordination staff and research contracts at OFM.</i>		1,016	1,016	0
15) Tribal TANF Programs <i>The Federal TANF program allows tribes to run a TANF program. Under state law, a "reasonable and equitable" state maintenance of effort is also negotiated. More tribes have expressed interest and begun negotiating to run TANF programs.</i>		65,610	65,610	0
TOTAL WORKFIRST EXPENDITURES		1,666,006	1,526,406	(139,600)
REVENUE ESTIMATES		1,581,310	1,581,310	
DIFFERENCE/BALANCE		(84,696)	54,904	

Recommendation for Workgroup Members

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| Academia | <ul style="list-style-type: none">• Russ Lidman, Director, Institute for Public Service, Seattle University.• David Harrison, UW Evans School of Public Affairs, Chair of State WorkForce Board |
| Local Government | <ul style="list-style-type: none">• Maureen Morris, Assistant Director, Washington State Association of Counties |
| Business | <ul style="list-style-type: none">• Pending |
| DSHS | <ul style="list-style-type: none">• Deb Marley, Assistant Secretary for Economic Services• Stan Marshburn, Chief Financial Officer |
| Employment Security | <ul style="list-style-type: none">• Paul Trause, Deputy Commissioner |
| State Board for Community and Technical Colleges | <ul style="list-style-type: none">• Jim Crabbe, Director of WorkForce Education |
| OFM/Executive Policy Office | <ul style="list-style-type: none">• Ken Miller, WorkFirst Coordinator• Regina Jones, Governor's Advisor for Welfare and Early Learning |
| Legislative Staff | <ul style="list-style-type: none">• Cynthia Forland, House Children and Family Services• Edith Rice, Senate Human Services and Corrections |